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IN REPLY REFER TO  
ACQ 021  
30 Aug 01

MEMORANDUM FOR NAVFAC ACQUISITION PERSONNEL

Subj: DFARS 242.72, MATERIAL MANAGEMENT AND ACCOUNTING  
SYSTEMS (MMAS)(01-20)

Encl: (1)OUSD Memo dtd August 3, 2001

1. Enclosure (1), is forwarded for your information and immediate implementation as appropriate.

A handwritten signature in black ink, appearing to read "Michael F. Howard", is positioned above the typed name.

MICHAEL F. HOWARD  
Director, Acquisition Strategic Programs



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

DP/CPF

# OFFICE OF THE UNDER SECRETARY OF DEFENSE

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AUGUST 3, 2001

MEMORANDUM FOR DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT  
ASN(RD&A)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT), ASA(ALT)  
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: DFARS 242.72, Material Management and Accounting  
Systems (MMAS)

Effective December 13, 2000, the subject DFARS rule was revised to eliminate MMAS coverage of areas where there is not a material risk to the Government. Questions have been raised regarding the application of this rule to contracts that were entered into prior to December 13, 2000 (existing contracts).

FAR 1.108, "Application of FAR changes to solicitations and contracts," permits contracting officers to include FAR changes in existing contracts with appropriate consideration. That same principle applies to DFARS changes as well. Since the revised rule merely eliminates coverage in areas where there is no material risk to the Government, it is appropriate for contracting officers to apply the revised rule to existing contracts without receiving consideration.

The revised rule exempts educational institutions and non-profit contractors because such entities do not have significant material costs that would warrant application of the MMAS standards. It also exempts fixed price contracts where financing payments are not based on cost, such as performance-based payments. To the maximum extent practical, contracting officers should apply the revised rules by modifying existing contracts with educational institutions and non-profit contractors, and by modifying existing fixed price contracts where financing payments are not based on cost.

The revised rule replaces the demonstration requirement with a requirement for the contractor to accurately describe its MMAS policies, procedures, and practices, and provide sufficient



detail for the Government to reasonably make an informed judgment regarding the adequacy of the MMAS. Contractors are also required to provide to the Government, upon request, the results of internal reviews conducted to ensure compliance with established MMAS policies, procedures, and operating instructions. The Government continues to have the same access to contractor records it had prior to the revision, and a contractor is still required to comply with the ten MMAS standards. For existing contracts, contracting officers shall follow the revised rule by not applying the demonstration requirement to those contracts.

Any questions regarding this memorandum should be directed to Mr. David J. Capitano at (703)695-7249.



Deidre A. Lee  
Director, Defense Procurement